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BEFORE THE  
SURFACE TRANSPORTATION BOARD

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STB Ex Parte No. 582

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PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

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STATEMENT OF  
U.S. REP. THOMAS M. REYNOLDS

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*U.S. Representative Thomas M. Reynolds, NY27, respectfully submits the following as his written statement in this proceeding:*

As the Surface Transportation Board conducts this hearing to address rail consolidations in general, consider the effect of a BNSF/CN merger on the structure of the North American railroad industry, and to hear the concerns of those who will be most affected by the decisions of the Board, I seek the Board's consideration on behalf of my constituents in Western New York.

Representing all or parts of nine Western New York and Finger Lakes counties, including several suburbs of Buffalo, NY, I am deeply concerned over the impact of previous actions of this Board, and want to ensure that future actions take into full account the impact on our community. I am further troubled by the promises and assurances made during the last round of

rail mergers that were never met, and want to make certain that this Board doesn't repeat or further exacerbate the mistakes of the past.

In its heyday, the city of Buffalo and its environs depended on rail transportation for their livelihood. During the "glory days of railroading," Buffalo was second only to Chicago as the largest rail center in the world. Ninety thousand trains ran within its boundaries annually. Over 600 miles of track and twenty-six classification yards met the industrial development needs of the region.

Millions of passengers passed through Buffalo each year on their way to destinations across the country.

At the same time, the railroad industry in Buffalo employed well over twenty thousand people in the region. The railroads created an opportunity to branch out into industries previously unavailable before the rails were laid.

The Western New York region, located along the two Great Lakes of Erie and Ontario and at the mouths of the Buffalo and Niagara rivers, owed its earliest growth of industry to these bodies of water, but it reached its zenith during the glory days of rail.

Dependent as the local economy is on rail service, the Western New York region has experienced adverse effects of rail mergers in the past. The "wreck" of the 1968 merger of the New York Central and Pennsylvania railroads had disastrous effects on the United States

economy and its government. It put thousands out of work and spelled the beginning of the end for one of America's most prolific industries, leading to government intervention and control of railroad operations. The near elimination of every existing independent railroad company was acutely felt in Buffalo.

As the Board well knows, the recent acquisition of Conrail by CSX and Norfolk Southern has also left rail-dependent business interests in Western New York plagued by delays, lost cars, refused deliveries, and a litany of other operational problems. In the months immediately following the merger, rail shipping problems triggered layoffs and production losses in chemical, food processing, auto parts, and other plants on the Niagara Frontier, which employ over 25,000 workers, many of whom reside in my congressional district.

Shippers in the region recently informed me that these problems continue to this day. Shifts have closed and jobs have been lost despite Chairperson Morgan's plan to effect the "expeditious restoration of responsive and reliable rail service" and the Board's belated decision to initiate a three-year review of Buffalo-area rail rates and switching fees.

Further, when Chairperson Morgan met in Buffalo with members of the New York Delegation, she heard first hand that in response to area rail problems, some manufacturing and industry in the Buffalo area, such as Pillsbury, simply choose to produce and ship their products in other cities with better and more efficient rail service.

I am encouraged by reports that the cooperation of the railroads and rail labor has recently

yielded declines in car transit times, dwell times and customer complaints since the implementation of the merger in June 1999. Recent capital investments in the region by both railroads are also welcome developments. However, given the magnitude of problems associated with this most recent merger, many shippers in the Buffalo-Niagara region are hesitant to believe that a merger of this size can be completed at this time without further service disruptions and operational problems.

The proposed Burlington Northern Santa Fe (BNSF)/Canadian National (CN) merger holds promise for Buffalo and the Niagara Frontier.

CN's plan to invest \$5 million in Buffalo to create an intermodal terminal is significant, as the Buffalo area has previously been successful in attracting new business through intermodal facilities. Many area shippers would also welcome new regional rail competition.

In the early days of a new century, this is the time that Buffalo, Western New York and New York state can reinvigorate an industry that so dominated area business, industry and employment at the turn of the last century. Rail and shipping present great opportunities to spur private sector job growth in our community. The Surface Transportation Board, federal, state and local governments can help facilitate the area's rebirth as a transit center.

But while a rebirth of shipping and rail opportunities hold great promise to increase jobs and spur economic development, we must ensure that it is not a missed opportunity.

That's why, from past experience, I feel strongly that the Board must act prudently and responsibly in addressing this proposed merger. At this point, I will reserve judgement on the merits of the BNSF/CN merger until the railroads unveil a detailed operating plan on March 28, 2000. However, it is imperative that such mergers not lead to further congestion and disruption of Niagara Frontier rail traffic, just as the region starts on the road to recovery from the problems associated with the previous one.

I ask the Board to conduct a timely, full and fair review of the merger on its merits. For the sake of the Western New York business climate, the appalling lack of sufficient rail service that followed the Conrail merger cannot be allowed again. A competitive rail industry is vital to the economic health of Western New York, which already faces many region-specific challenges in attracting new business. The decision of the Board will go far in determining the success or failure of future regional business ventures.

I would like to thank the Board for the opportunity to voice the concerns of my constituents regarding proposed major rail consolidations.

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